

Message Text

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PAGE 01 OTTAWA 01671 01 OF 02 201535Z

46

ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 SSO-00 NSCE-00 USIE-00 INRE-00

CAB-09 CIAE-00 COME-00 DODE-00 INR-10 NSAE-00 RSC-01

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 1370

LIMITED OFFICIAL USE SECTION 1 OF 2 OTTAWA 1671

E.O. 11652: N/A

TAGS: ETRN, CA

SUBJECT: CIVAIR NEGOTIATIONS

BEGIN SUMMARY. THIS IS REPORT ON AIR ROUTE NEGOTIATIONS THROUGH JULY 19. FOCUS HAS BEEN PRINCIPALLY ON EASTERN CANADA-SAN FRANCISCO (SFO) ROUTES, TWHERE CANDEL HAS BEEN WILLING EXPLORE DEFERRAL DATES AND FORMULAS, BUT WITHOUT COMMITMENT. IMPORTANCE, IN OVERALL BALANCE SENSE, OF TORONTO-TEXAS, TORONTO-DENVER/LAS VEGAS, AND CALGARY-DENVER/DALLAS ROUTES ALSO STRESSED BY CANDEL. THERE HAS BEEN NO BREAKTHROUGH ON WEST COAST ROUTES, WHERE CANDEL IS DEMANDING HIGH PRICE FOR POSSIBILITY ESTABLISHING HONOLULU-VANCOUVER AFTER PHASE III. AT AFTERNOON MEETING JULY 19, USDEL ADVANCED REVISED POSITION ON KEY ISSUES IN AREAS B AND C. END SUMMARY.

1. AT FIRST MEETING JULY 19, USDEL ADVANCED PROPOSALS RELATING TO OVERFLIGHT OF TERMINALS, SINGLE AND DOUBLE TRACKING, AND COMMUTER AND STOL SERVICES AND WE PRESENTED PAPER (TAKEN FROM APPENDIX TO CAB LETTER) GIVING DETAILS. WE DESCRIBED THESE AS METHODS TO "PROTECT THE FUTURE" AND, BY DOING SO, TO HELP

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PAGE 02 OTTAWA 01671 01 OF 02 201535Z

RESOLVE THOSE CURRENT NEGOTIATING PROBLEMS WHERE

POSITION OF ONE SIDE OR OTHER (PARTICULARLY CANADA) APPEARS TO BE DETERMINED BY CONCERN OVER LACK OF FUTURE LEVERAGE. CANDEL DID NOT RESPOND UNTIL JULY 18 AND THEN ONLY IN GENERAL TERMS. THRUST OF RESPONSE WAS THAT PROPOSALS WERE INDEED NOVEL AND INTERESTING AND MIGHT HAVE MERIT, BUT THEY REQUIRED PROLONGED STUDY AND NEGOTIATION WHICH PROBABLY COULD NOT BE DONE IN TIME-FRAME CURRENTLY AVAILABLE. WE MADE MOST OF US WILLINGNESS TO MAKE THE NECESSARY TIME AVAILABLE, TRYING TO PUT CANDEL IN CORNER. ONLY NEGATIVE COMMENT OF SUBSTANCE WAS THAT US WOULD GET MOST OF SINGLE TRACK ROUTES FIRST AND THEN BE IN POSITION TO TERMINATE THE FUTURE APPLICABILITY OF THE ARRANGEMENT (IN 1983) BEFORE CANADA WAS IN POSITION TO BENEFIT BY CLAIMING THE DOUBLE TRACK RIGHTS. WE SIMPLY NOTED THAT IF THERE WERE NO ARRANGEMENT FOR AUTOMATIC SINGLE/DOUBLE TRACKING, CANADA WOULD HAVE TO NEGOTIATE AGAIN FOR NEW ROUTES, A PROSPECT WHICH CANDEL KNOWS IS LIKELY TO BE UNPRODUCTIVE.

2. ROUTE NEGOTIATIONS HAVE SO FAR FOCUSED ENTIRELY ON AREAS B AND C. ALTHOUGH CANDEL HAS NOT FORMALLY CHANGED ITS POSITION ON MONTREAL/TORONTO-SAN FRANCISCO DOUBLE TRACKING IN PHASE I, IT HAS BEEN WILLING TO EXPLORE HOW DOUBLE TRACKING MIGHT BE SUBJECT TO A FORMULA. USDEL ADVANCED DOUBLE TRACKING FORMULA IN CAB LETTER. CANDEL ADVANCED TWO FORMULAS WHICH, WHILE DIFFERENT, WOULD BOTH LEAD TO DOUBLE TRACKING IN ABOUT 1975. (US FORMULA WOULD PROBABLY ESTABLISH DOUBLE TRACKING IN LATE 70'S OR EARLY 80'S, DEPENDING ON GROWTH, 35% ASSUMPTIONS USED.) WE ALSO ADVANCED PROPOSAL THAT US HAVE EXCLUSIVE ON EASTERN CANADA-LOS ANGELES (LAX) AND CANADA EXCLUSIVE ON EASTERN CANADA-SFO, WITHOUT FUTURE AUTOMATIC DOUBLE TRACKING. CANADA REJECTED THIS OUT OF HAND. WE THEN PROPOSED THAT TORONTO/MONTREAL-LAX BE SINGLE TRACKED FOR CANADA IN PHASE II AND THAT SFO-TORONTO/MONTREAL BE SINGLE TRACKED FOR US IN PHASE II, WITH POSSIBILITY SUBSEQUENT DOUBLE TRACKING EITHER ROUTE EXCLUDED FROM DOUBLE TRACKING FORMULA. CANDEL REJECTED THIS PROPOSAL LIMITED OFFICIAL USE

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PAGE 03 OTTAWA 01671 01 OF 02 201535Z

(OR ANY VARIATION OF IT) UNEQUIVOCALLY. AT MORNING MEETING JULY 19, CANDEL ASKED WHETHER POSSIBILITY ESTABLISHING EASTERN CANADA-SFO ON DOUBLE TRACK BASIS IN A SPECIFIC YEAR AFTER PHASE III WAS NEGOTIABLE, EITHER WITH OR WITHOUT PRIOR SINGLE TRACKING. (CANDEL HAD EARLIER SAID IT DID NOT WANT PRIOR SINGLE TRACKING.)

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PAGE 01 OTTAWA 01671 02 OF 02 201557Z

43

ACTION EB-11

INFO OCT-01 ADP-00 EUR-25 SSO-00 NSCE-00 USIE-00 INRE-00

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LIMITED OFFICIAL USE SECTION 2 OF 2 OTTAWA 1671

3. IN A STERN AND PRECLEARANCE-THREATENING GRANDSTAND SPEECH AT MEETING AFTERNOON JULY 17, CANDEL SAID THAT TORONTO-TEXAS, TORONTO-DENVER/LAS VEGAS, AND CALGARY-DENVER/DALLAS ROUTES WERE ESSENTIAL FOR BALANCE REASONS AND US REFUSAL CONCEDE EVEN ONE OF THOSE ROUTES MEANT US WAS TRYING TO OUTDO CANADA IN OVERALL BALANCE. WE REPLIED THAT CANADIANS MUST HAVE AN UNREALISTIC METHOD OF DETERMINING BALANCE SINCE IT WAS APPARENTLY NOT TAKING INTO ACCOUNT SELF-DIVERSION.

4. IN AREAC, CANDEL MAINTAINED FIRM REJECTION OF HONOLULU-VANCOUVER, BUT IMPLIED IT MIGHT BE ESTABLISHED SOMETIME AFTER PHASE III. IT RELATED THIS US ROUTE REQUEST WITH NUMEROUS OTHER ISSUES, INCLUDING MANDATORY SFO STOP ON CANADIAN VANCOUVER-LOS ANGELES ROUTE, DEFINITION OF AUSTRALASIA ON CANADA ROUTE 11, AND EASTER CANADA-SFO. CANDEL PRESSED FOR REMOVAL SFO MANDATORY AND FOR A DEFINITION OF AUSTRALASIA TO INCLUDE ALL THE PACIFIC, EAST ASIA (EXCEPT PRC), JAPAN, AND SOUTHEAST ASIA. (US PROPOSAL ON SFO MANDATORY WAS THAT IT REMAIN UNTIL PHASE III.) WE REJECTED ROUTE 11 EXPANSION OUT OF HAND. CANDEL ALSO REJECTED SEATTLE ADDITION TO SPOKANE-VANCOUVER ROUTE

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PAGE 02 OTTAWA 01671 02 OF 02 201557Z

AND RENEWED ITS OBJECTION TO MANDATORY STOP AT SFO ON EDMONTON/CALGARY-SFO/LAX ROUTE. (WE PROPOSED FOOTHILLS/SFO IN PHASE I, ADDITION OF LAX IN III, AND MANDATORY STOP AT SFO UNTIL CALGARY-LAX TRAFFIC REACHED LEVEL SET OUT IN US DOUBLE TRACKING FORMULA.)

5. ON AFTERNOON JULY 19, USDEL ADVANCED FOLLOWING OVERALL REVISED POSITION:

A. USDEL PREPARED AGREE TO A SPECIFIC DATE AFTER PHSE III FOR DOUBLE TRACKING EASTERN CANADA-SFO, EITHER WITH OR WITHOUT PRIOR SINGLE TRACKING. FYI WE HAVE IN MIND 1980 IF THERE IS PRIOR SINGLE TRACKING AND 1984 IF THERE IS NOT. END FYI.

B. FOREGOING IS MAJOR US CONCESSION, WHICH WE PREPARED MAKE N CONTEXT FOLLOWING SOLUTION OF KEY ISSUES IN AREAS B AND C:

(1) NO TORONTO-TEXAS, TORONTO-DENVER/LAS VEGAS, OR CALGARY-DENVER/DALLAS FOR CANADA.

(2) DETROIT-MONTREAL AND CLEVELAND-MONTREAL FOR US IN SAME YEAR AS EASTERN CANADA-SFO DOUBLE TRACKED.

(3) HONOLULU-VANCOUVER FOR US IN SAME YEAR AS EASTERN CANADA-SFO DOUBLE TRACKED. PRIOR THEN SEASONAL OVER FLIGHT OF TERMINAL RIGHTS WOULD BE AVAILABLE ON US LAX/SFO-VANCOUVER ROUTE TO PERMIT HONOLULU-VANCOUVER NON-STOP SERVICE WITH SEAT LIMITATION. FYI IT WILL BE NOTED THAT, BY RELATING HONOLULU ROUTE TO SFO ROUTE, CANADA WOULD WANT A LATE DATE FOR ESTABLISHMENT OF LATTER. END FYI.

(4) MANDATORIES AT SFO ON VANCOUVER-LAX AND CALGARY-LAX WOULD BE AS IN US PROPOSAL (PARAM 5 ABOVE).

(5) CANADA ROUTE 11 WOULD BE REDESCRIBED TO READ: CANADA-HONOLULU-POINTS IN THE PACIFIC AREA (FOOTNOTE) AND BEYOND; WITH FOOTNOTE TO READ: POINTS IN FIJI, NEW ZEALAND, AND AUSTRALIA MAY BE SERVED. OTHER POINTS IN THE PACIFIC AREA WILL BE SUBJECT TO FURTHER AGREEMENT.
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PAGE 03 OTTAWA 01671 02 OF 02 201557Z

FYI PRUPOSE THIS PROPOSAL WAS TO SEE WHETHER CANADA'S OBJECTIVE IS TO LOCK CP AIR INTO PACIFIC IN CANDIAN

EQUIVALENT TO A 401 PROCEEDING. SUBSTANTIVELY,
REDESCRIPTION ADDS NOTHING TO EXISTING ROUTE. ALTHOUGH
FIJI IS NOT IN PRESENT ROUTE (AS WE INTERPRET IT), THIS
POINT IS IN CP AIR'S 402 PERMIT AND HONOLULU-FIJI
SERVICE IS CURRENTLY PROVIDED. REDESCRIPTION ALSO
WOULD AVOID PROBLEM OF INTERPRETATION OF "AUSTRALASIA".
END FYI.

6. CANDEL ASKED FOR TIME REVIEW REVISED US PROPOSAL.
TALKS RESUME 11 A.M. JULY 20.
JOHNSON

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